

FINANCIAL AUDIT

Public Employees' Retirement Board

For the Fiscal Year Ended June 30, 2015

JANUARY 2016

14-08B

REPORT SUMMARY

The Public Employees' Retirement Board administers ten retirement plans and an Other Post Employment Benefit. The Montana Constitution and state law requires all public employee retirement systems be funded on an actuarially sound basis. The June 30, 2015, actuarial valuations indicate the Sheriffs', Game Wardens' and Peace Officers', and Public Employees' Retirement System Defined Contribution Disability OPEB plans are not actuarially sound. State laws defines "actuarial sound basis" for these plans to be that contributions must be sufficient to pay the normal costs of providing benefits as they accrue in the future and the cost of amortizing unfunded liabilities over a scheduled period of no more than 30 years.

Context

The Public Employees' Retirement Board (PERB) oversees ten retirement plans, an Other Post Employment Benefit (OPEB), and the related member education funds in the Pension Trust Fund. The Public Employees' Retirement System Defined Contribution Disability OPEB is a trust fund providing a defined benefit. The retirement plans are eight defined benefit plans and two defined contribution plans. The defined benefit retirement plans are the Public Employees' Retirement System, Judges' Retirement System, Highway Patrol Officers' Retirement System, Sheriffs' Retirement System, Game Wardens' and Peace Officers' Retirement System, Municipal Police Officers' Retirement System, Firefighters' Unified Retirement System, and the Volunteer Firefighters' Compensation Act. The defined contribution retirement plans are the Public Employees' Retirement System and the Deferred Compensation Plan.

Results

The Statement of Fiduciary Net Position-Pension Trust Funds reports net position of approximately \$6.437 billion for the combined defined benefit plans and

\$583.8 million for the combined defined contribution plans. The Statement of Fiduciary Net Position does not include the actuarial estimate of the liability for future benefit payments to retirees, referred to as the pension liability. Accounting standards require this information to be disclosed in the notes to the financial statements and in the required supplementary information. The total net pension liability at June 30, 2015, for the eight defined benefit plans totals \$1.823 billion.

The Governmental Accounting Standard Board issued a new pension standard, #68, that is effective for financial reporting periods beginning with fiscal year 2015. The new standard does not effect PERB's financial statements. The standard is applicable to employers who participate in public retirement systems. PERB did prepare schedules for each of the defined benefit systems it administers to provide participating employers and their auditors needed information for their financial reporting. In a separate engagement, we rendered opinions on these schedules that are available on PERB's website.

This report also includes updated information regarding a recommendation from the fiscal year 2013 audit requiring PERB to continue working with the legislature to ensure all defined benefit pension plans are actuarially sound. This report does not include recommendations to PERB and we issued an unmodified opinion on PERB's financial statements for fiscal year 2015. This means the reader may rely upon the fairness of the information presented in the financial statements.

For a complete copy of the report (14-08B) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>
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